

A Framework for Business Sustainability

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Business sustainability seeks to create long-term shareholder value by embracing the opportunities and managing the risks that result from an organization's economic, environmental, and social responsibilities. Business sustainability must meet the needs of the organization and its stakeholders today while also protecting, sustaining, and enhancing the environmental, social, and economic resources needed for the future.

Creating a Body of Knowledge

Business sustainability is still an emerging discipline, and a relatively young profession. While there is some commonality around what should be done to achieve business sustainability, there is relatively little agreement on the terms to be used.

In part, this is because business sustainability is connected to a wide range of diverse areas, including organizational behavior, business strategy, operations management, accounting, finance, economics, environmental science, ethics, and social psychology -- just to name a few.

In such a rapidly developing field of practice, it is easy to become bogged down in the quagmire of philosophy and terminology. A more pragmatic alternative for promoting business sustainability is to develop a widely accepted and inclusive "body of knowledge" that can help guide organizations.

In other disciplines (such as law, medicine, and accounting), the *body of knowledge* resides with the practitioners and academics who apply and advance it. A business sustainability body of knowledge would include knowledge of proven traditional practices that are widely applied, along with knowledge of innovative and advanced practices that have as yet seen only limited use.

Within the business sustainability field, there are a growing number of generally accepted means -- knowledge and practices that are, or should be, applied uniformly in all business sustainability programs (although, of course, the organization implementing business sustainability is always responsible for determining what is appropriate for its operational context). It is important to develop a common lexicon within the business sustainability practice for discussing "lessons learned" and for benchmarking common elements of achievement.

Why Business Sustainability?

Business sustainability is a means for achieving an organization's vision and mission. It can be described as the application of knowledge, skills, tools, and techniques to the organization's activities, products, and services in order to accomplish the following:

- Provide context within which the organization addresses its activities, products, and services.
- Identify critical objectives and targets (stemming from the organization's vision and mission) that must be achieved.
- Remove impediments or interruptions that could deter the achievement of organizational objectives and targets.
- Allow the organization to understand the probable outcome of controls and other mitigation strategies for dealing with impediments or interruptions.
- Allow the organization to understand how it can continue to achieve its critical objectives and targets should interruptions occur.
- Create criteria and/or triggers for implementing crisis and emergency response, continuity response, and recovery response procedures.
- Ensure that staff and management understand their roles and responsibilities both during normal operations and when a major disruption may occur.
- Ensure that there is a clear understanding throughout the organization of what accountabilities and responsibilities are in place when there is an emergency or a major stakeholder issue, and ensure that this understanding remains current.
- Build consensus and commitment to the requirements, implementation, and deployment of business sustainability and continuity, which are integrated as part of the routine way the organization conducts its business.

A Universal Framework

The various elements of business sustainability can be captured in a framework that has application to all organizations. Business entities often are separated into different categories based on their activities, products, and services. Despite the many differences among organizations, however, there are several universal attributes and characteristics that apply at any company. Every business activity is:

- performed by people
- managed by leaders

- planned both strategically and tactically
- influenced by a broad range of stakeholders
- improved through knowledge and information
- executed and controlled with a process focus
- constrained by limited resources.

Moving Toward Business Sustainability

As an organization seeks to enhance its probability of achieving business success and sustainability, it may move through several phases, during which it progressively broadens the scope of its approach: first quality management, then business excellence, and finally business sustainability (see **Exhibit 1**).

Managing Risks Through Business Sustainability

The principles of good corporate governance require organizations to follow appropriate risk management practices, including business continuity and sustainability processes. At the strategic level, effective business sustainability and risk management dictate the establishment of an appropriate corporate governance framework.

Business sustainability is a necessary component of the business planning and management cycles throughout any organization, and an integral part of any risk management process. Business sustainability seeks to help the organization develop a balanced and integrated approach to meeting its economic, environmental, and social responsibilities to its stakeholders. In doing so, it allows a more resilient organization to emerge and be sustained for the long term.

Business Excellence Frameworks

In 1987, a number of business excellence frameworks were introduced -- all with the aim of helping companies create financial value and remain competitive in the global economy. In that same year, the term "sustainable development" was also used for the first time.

Since then, more than 75 business excellence frameworks have established themselves around the globe. Readers in the United States may be most familiar with the Malcolm Baldrige National Quality Program. There is also the EFQM in the European Union and the Australian Business Excellence Program.

The national and regional programs that promote these business frameworks are coordinated by an international organization known as the Global Excellence Model

(GEM) Council. Most of the national and regional entities operate business excellence award programs.

More importantly, however, their frameworks are used by countless organizations -- both large and small, and in all industry and government sectors -- as a means to facilitate self evaluation and continual improvement. These frameworks in fact constitute the "body of knowledge" that is needed as a foundation for the practice of business sustainability.

Program Elements

Business excellence frameworks generally have three interconnected elements:

- a means for mapping an organization's core values or guiding principles against a consensus listing of business excellence principles;
- a set of knowledge areas (or criteria) used to guide continual improvement within the organization; and
- a results-driven methodology used to plan, implement, measure, and continually improve the organization's program.

These elements (which are designed to address activities, products, and services) can help the organization increase its odds of realizing successful and sustainable business outcomes.

Knowledge Areas

Business excellence frameworks typically divide knowledge areas into seven categories (often called "criteria"):

- leadership
- customer (or stakeholder) focus
- strategy and planning
- information and knowledge
- people
- process management
- success and sustainability

Each category has sub-categories called items, which are discussed in more detail below.

Creating a Business Sustainability Framework

The business excellence model provides a good basis for creating a business sustainability framework. As noted above, one of the seven criteria (or knowledge areas) of the typical business excellence framework is "customer focus." By replacing this narrow criterion with a broader focus on key stakeholders, the business excellence model can easily be converted into a framework for business sustainability.

At leading organizations, the business sustainability initiative builds and relies upon progress that the organization has already made in the realms of quality management and business excellence.

The business excellence model is a more suitable springboard for business sustainability than are other commonly used business improvement methods. Other approaches often fail to promote and measure financial responsibility -- a key tenant of business sustainability.

Business sustainability can extend the business excellence framework to a much broader context. It can help the organization create a stronger alignment between its own strategic interests and the concerns that are important to its stakeholders.

In effect, once a stakeholder focus is integrated into the business excellence framework, the framework becomes the "body of knowledge" needed for business sustainability.

Business Sustainability Principles

Understanding Business Principles

Business sustainability programs are based on a set of principles -- fundamental norms, rules, or values that represent what is desirable and positive for the organization that is seeking business sustainability. The principles help the organization determine the "rightness" or "wrongness" of its sustainability actions.

Principles are more basic than policies and objectives, and are in fact meant to govern both. All organizations have principles, even if they are not in writing. They are often called "core values" or "guiding principles."

Organizations use principles as a foundation on which to work and conduct their business. Principles ideally guide an organization throughout all its business activities, in all circumstances, irrespective of changes in organizational goals and strategies, types of work, or top managers.

Principles underlie the attitudes and beliefs that often are referred to as the "culture" of the organization. When understood and applied across an organization, principles provide a powerful and integrated philosophy of leadership.

Examples of Business Sustainability Principles

Some examples of business sustainability principles include the following:

- Leadership -- Lead by example, provide clear direction, build organizational alignment, and focus on sustainable achievement of goals.
- Stakeholders -- Understand what your stakeholders value, now and into the future, and use this knowledge to drive organizational design, strategy, products, and services.
- Systems Thinking -- Continuously improve business and operational systems.
- People -- Develop and value people's capability. Release their skills, resourcefulness, and creativity to change and improve the organization.
- Continuous Improvement -- Develop agility, adaptability, and responsiveness based on a culture of continual improvement, innovation, and learning.
- Information and Knowledge -- Improve performance by using data, information, and knowledge to understand variability and improve strategic and operational decision-making.
- Business Responsibility -- Behave in an ethically, socially, financially, and environmentally responsible manner.
- Sustainable Results -- Focus on sustainable results, value, and outcomes.

Assessing How Well Business Sustainability Principles Are Implemented

An individual organization's own core values or guiding principles can be compared with these examples using a strategy mapping tool. Determining how (and whether) the organization demonstrates each value is a useful exercise.

Once a company identifies areas where it falls short, decision-makers can look for ways to address the impediments that keep it from fully implementing its principles throughout the organization. This effort can also help create the foundation for using each of the business excellence knowledge areas.

Measuring and Improving Business Sustainability with a Business Excellence Approach

Business principles and knowledge areas create a set of criteria that can be used to assess business sustainability and help the organization plan for improvement. Such assessment

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and planning functions are the main reasons why many organizations use a business excellence framework.

A business excellence framework enables the organization to measure its performance with a single score, instead of tracking hundreds of business indicators.

Business Excellence Items

Within a business excellence model, each knowledge area contains sub-categories called "items." Every national business excellence framework specifies a different number of items, all of which are aimed at addressing the culture of organizations that participate in the nation's award program. These programs provide written descriptions of practices for organizations to follow.

Items are designed to guide organizations regarding what they should address in order to achieve sustained business excellence. Every organization must define its unique approach to each item, using the business excellence framework criteria as inspiration, and making tradeoffs among competing objectives and alternatives. Going through this process ultimately can help the organization devise an approach that allows it to meet or exceed stakeholder needs and expectations.

Drivers, Enablers, and Results

The Australian Business Excellence Program (SAI Global, 2007) divides its categories into three types -- drivers, enablers, and results.

Drivers are the factors that position the organization within its external operating environment. An organization's strategies are usually drivers.

Enablers are the processes, tools, and approaches that support the organization's pursuit of its objectives and targets. Drivers and enablers help an organization move down the path to business excellence (and ultimately to sustainability).

Results are the outcomes of performance -- the measures of the organization's success. Many organizations refer to their results as "indicators." These indicators allow the organization to measure its current achievements against past performance and organizational objectives.

Tracking Performance

The organization's performance relative to each item in the business excellence framework can be quantified using an assessment matrix. Such quantification shows the extent to which the organization's business systems and operations are aligned with its principles and knowledge areas.

In the Australian Business Excellence Program, the assessment matrix includes the dimensions of approach, deployment, results, and improvement (ADRI). These dimensions help create a learning cycle within which the organization can track and improve its performance on each specified item.

The ADRI assessment dimensions encourage the organization to develop a well thought-out approach, deploy it uniformly across the organization, assess its effectiveness, and then improve the approach across all aspects of the organization.

The ADRI assessment methodology can be used effectively to measure an organization's performance against a business sustainability framework. It can help ensure that organizational success correlates with a planned, sustainable cycle of business improvement.

Scoring System

The ADRI assessment matrix allows for independent scoring across the dimensions of approach, deployment, results, and improvement. Scoring is used to determine where the organization is currently, and allows it to plan for the future. Scores can also be used from time to time in order to track progress.

The scoring system is not designed to promote internal competition among the various segments of the organization or among different organizations that are using the assessment scoring method. Rather, it is intended to provide a means for quantifying the organization's overall performance to date within each knowledge area category.

The score can be "rolled up" to reflect the overall performance of the organization. To see how this works, consider the following analogy: A college student receives grades in each individual course based on quizzes, examinations, semester papers, and classroom participation. When the student completes the degree requirements, all his or her individual course grades are rolled up into a single grade point average. Grade point averages are roughly comparable, regardless of the program or the school the student attended.

Benefits of Using the Business Excellence Framework

Many organizations already utilize business excellence frameworks. Some may participate formally in a national award program, such as the Malcolm Baldrige National Quality Award program in the United States. But most simply use the frameworks as a way to improve their financial bottom line.

Many countries with business excellence frameworks have solicited independent studies to assess how much financial value is associated with use of these frameworks in their award programs. All of the studies have confirmed financial gains.

These national programs generally do not track the financial results achieved by organizations that use their business excellence frameworks to self-assess performance. However, it is likely that these organizations are gaining many of the same financial benefits enjoyed by companies that participate in the national business excellence award programs.

Supporting Business Sustainability with an Integrated Management System

The business sustainability framework should be supported by an integrated management system. Because integrated management systems have been described at length in prior papers (Pojasek, 2006; 2007), only a brief description of them is presented here.

Why Use an Integrated Management System?

Many organizations currently employ a variety of management systems for different functional areas. Among the most commonly used are ISO 9001 (quality management), ISO 14001 (environmental management), and OHSAS 18001 (occupational health and safety management). These management systems are intended to help integrate their particular programs (such as quality and worker safety) into the overall management and governance of the company.

Employing many separate systems can create confusion and lead to duplication of effort, however. So it makes sense for the organization to incorporate all its various management programs into a single integrated management system -- and to further integrate this system within the business sustainability framework.

Processes Versus Procedures

An integrated management system should focus more on processes and less on management system procedures. The system's driving force should be process performance, which emphasizes reviewing results rather than reviewing documents.

Process effectiveness can be assessed by answering the following questions:

- How has the process been planned?
- How do we know the process is being executed according to plan?
- How do we present objective evidence that the planned results are being achieved?
- How do we embrace innovation to further drive continual improvement?
- Do we use a risk management system to financially quantify risks that have been avoided by process improvement?

Developing an Employee Focus

The business sustainability framework and the integrated management system need to develop an employee focus. Employees should view themselves as the quality, environmental, and health and safety "managers" of their own jobs, and should take direct responsibility for meeting the relevant requirements.

The business sustainability framework can promote enhanced performance by integrating its requirements into the daily work of all employees. This approach is crucial for changing behaviors and creating a culture that makes conformance part of what everyone does every day.

Integrating the Risk Management System

It is also crucial to integrate the organization's risk management system into the business sustainability framework. Risk and reward are the very essence of business. Effective risk management is a primary means for delivering maximum shareholder value while simultaneously reducing the potential for share value loss.

Integrating the organization's risk management system into a business sustainability framework makes it easier for the risk management program to deliver results. Management will be more interested when the outcome of its risk management system is actual business improvement -- as evidenced by enhanced company image, more satisfied stakeholders, better customer retention, higher sales, greater market share, and increased profitability.

The Integrated Path to Business Sustainability

An integrated approach is crucial to achieving business sustainability. By integrating management systems, process improvement, and risk management into a single program within a business sustainability framework, the organization can significantly reduce confusion and eliminate wasted effort.

Workers will no longer find themselves pulled in many different directions by multiple management initiatives. The organization will put itself on the path to business sustainability.

And it will be able to measure its progress down that path using the business sustainability framework.

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Exhibit 1 The Focus on Business Sustainability

